small business

PROFILE 2003

A Profile of Small Business in British Columbia

Western Economic Diversification Canada
Diversification de l'économie de l'Ouest Canada

British Columbia
Ministry of Competition, Science and Enterprise

BC STATS

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HIGHLIGHTS

- **Small Business** – In 2002, small business accounted for almost 98 per cent of all businesses in British Columbia. Micro-businesses (those with fewer than five employees) comprised about 83 per cent of small businesses.
- **Employment** – An estimated 952,900 people were employed by small business in British Columbia in 2002. This represents 58 per cent of all private sector jobs in the province.
- **Women Entrepreneurs** – In 2002, women owned and operated almost 37 per cent of small businesses in British Columbia, which is the second highest rate of ownership by women in the country.
- **Gross Domestic Product** – Among the provinces, British Columbia ranked second in Canada in terms of proportion of gross domestic product (30 per cent) attributed to small business in 2002.
- **High Technology Sector** – Small businesses comprised 95 per cent of employers in high technology, the sector experiencing the fastest growth in net new small businesses.
- **Regional Focus** – Between 1997 and 2002, the Mainland/Southwest region led the province in rate of growth in new small businesses, with an average increase of 1.9 per cent per year.
- **Exports** – Small businesses in British Columbia shipped $10.4 billion worth of merchandise to international destinations in 2001, or 33 per cent of the total value of goods exported from the province.

Preface

The small business sector has long been recognized as a critical contributor to the economy. In British Columbia, most private sector jobs are derived from small businesses, reflecting an important and ongoing trend toward economic diversification within the provincial economy.

A Profile of Small Business in British Columbia (Small Business Profile 2003) is an update of previous versions published annually since 1997. Through the examination of growth trends over the last decade, this report is designed to answer some common questions about the role of small business in British Columbia. Key questions are addressed through a review of the number of businesses, the growth in employment, small business contribution to the economy, the industry breakdown of small businesses, small business impact on regional economies and the role of small business exporters.

Statistical information contained in this report was prepared by BC STATS with data provided by Statistics Canada from various statistical databases such as the *Business Register*, the *Survey of Employment, Payroll and Hours*, the *Labour Force Survey* and the *Exporter Registry*.

Small Business Profile 2003 is produced in co-operation with the federal and provincial governments. The report was prepared by BC STATS in the British Columbia Ministry of Management Services with assistance from Western Economic Diversification Canada and the British Columbia Ministry of Competition, Science and Enterprise.

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This publication is available at:
www.cse.gov.bc.ca/publicinfo/publications/smallbuspubs/Small_Business_Profile_2003.pdf

104-07663/

1. Small Business Growth

What constitutes a small business?

There are a number of different ways of defining 'small business,' but the most commonly used definition focuses on the number of employees:

- Businesses with fewer than 50 employees and businesses operated by a person who is self-employed, without paid help.

Businesses with fewer than 50 employees are sometimes also designated small and medium enterprises (SMEs).

How many businesses are there in British Columbia?

In 2002, there were approximately 355,200 businesses in British Columbia, an increase of about 10,700 from 2001. Numbering 347,900, small businesses comprised almost 98 per cent of this total. Self-employed individuals with no paid employees accounted for over half (56 per cent) of all businesses in the province.

Figure 1: Total number of businesses in BC, 2002

	Number of Businesses	Percent of Total
Total small businesses	**347,900**	**97.9%**
Self-employed without paid help†	197,600	55.6%
Businesses with less than 50 employees	150,300	42.3%
Total large businesses	**7,400**	**2.1%**
Total all businesses‡	**355,200**	**100.0%**

†To avoid double counting, incorporated self-employed are not included in this figure.

‡Figures do not add due to rounding.

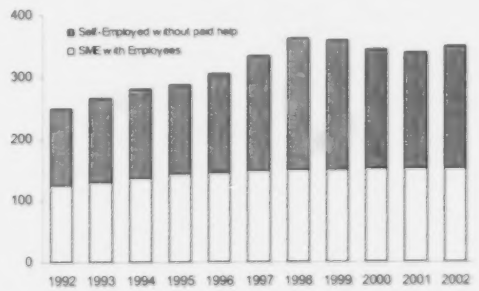
SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

Is the number of small businesses in British Columbia growing?

After three consecutive years of decline, the total number of small businesses operating in the province grew by 3.1 per cent in 2002. Most of the growth was due to a rebound in the number of self-employed without paid help (+5.6 per cent), the same group that was responsible for the earlier three years of decline.

In fact, over the last decade, self-employed small businesses (unincorporated, without paid help) have been responsible for most of the change in the number of small businesses in British Columbia. Of the 119,900 net new small businesses added from 1992 to 2002, over 71 per cent were run by self-employed persons without paid help. Small businesses with employees grew at a much more moderate rate and, as a result, their share of the total dropped from about 50 per cent in 1992 to 43 per cent in 2002.

Figure 2: Number of small businesses in BC (000's), 1992-2002



SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

The number of large businesses (greater than 49 paid employees) in British Columbia has also experienced strong growth over the last

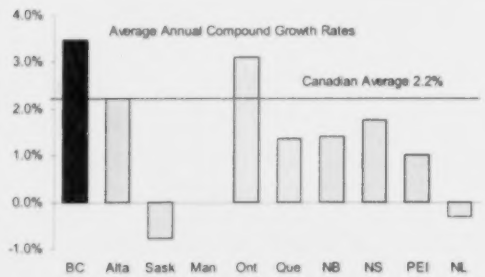
decade, increasing almost 41 per cent from 1992 to 2002. In the last year, the increase was 3.0 per cent, marginally slower than that of total small businesses (+3.1 per cent).

How does small business growth in British Columbia compare with other provinces?

Despite consecutive years of decline from 1999 to 2001, British Columbia was the leader in small business growth over the last decade. From 1992 to 2002, the number of small businesses across the country grew at an average annual rate of 2.2 per cent, while British Columbia averaged 3.5 per cent growth in net new small businesses per year. The only other province to experience growth greater than the national rate was Ontario, with an annual average growth of 3.1 per cent. The number of small businesses in Alberta grew at exactly the Canadian average of 2.2 per cent.

The first five years of the decade (1992-1997) were the best for small business growth, with all provinces increasing the number of new small businesses, led by British Columbia (+8.4 per cent average annual increase), Alberta (+8.1 per cent) and Ontario (+7.9 per cent). In the latter half of the decade (1997-2002), on the other hand, all provinces experienced declines in the number of small businesses. British Columbia (-1.3 per cent) had the smallest average annual decline of any province, well below the Canadian average of -2.1 per cent.

Figure 3: BC is the leader in small business growth, 1992-2002



SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

How do small businesses measure up?

By far the majority of small businesses in British Columbia are micro-businesses with less than five employees. There were 289,400 small businesses of this description in 2002, representing 83 per cent of all small enterprises. Approximately 57 per cent of all small businesses were self-employed persons without paid help and 26 per cent had one to four employees. Within micro-businesses only, 68 per cent were self-employed persons without paid help and 32 per cent had one to four employees.

Figure 4: Size distribution of small business in BC, 2002

	Number of Businesses	Percent of Total
Total businesses with 0 to 4 employees	**289,400**	**83.2%**
Self-employed without paid help	197,600	56.8%
Businesses with 1 to 4 employees	91,800	26.4%
Businesses with 5 to 19 employees	45,900	13.2%
Businesses with 20 to 49 employees	12,600	3.6%
Total small businesses	**347,900**	**100.0%**

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

From 1992 to 2002, the average number of new small businesses created per year was 10,000, which translates to an average annual

compound rate of 3.5 per cent. Of these, 7,400 were self-employed workers without paid help. Overall, small business growth lagged that of large businesses, which grew at an average annual compound rate of 4.8 per cent.

Figure 5: Growth in the number of BC businesses, 1992-2002

	Average Annual Growth (#s)	Annual Compound Growth Rate
Total small business	**10,000**	**3.5%**
Self-employed without paid help	7,400	4.8%
Businesses with 1 to 4 employees	1,800	2.2%
Businesses with 5 to 19 employees	600	1.3%
Businesses with 20 to 49 employees	300	2.4%
Total Large Businesses	**300**	**4.8%**
Total all businesses†	**10,300**	**3.5%**

† Figures do not add due to rounding.

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

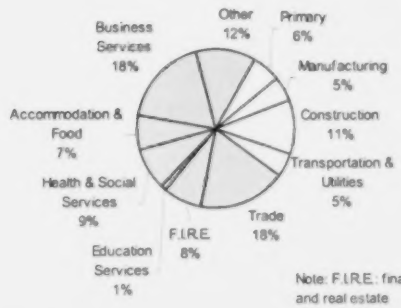
In what sectors are small businesses concentrated?

Three-quarters of small businesses in British Columbia are concentrated in the service sector. Businesses with paid employees are slightly more likely to be operating outside the service sector compared to self-employed businesses. About 27 per cent of small businesses with employees were in the goods sector compared to only 24 per cent of those with no employees.

The leading service sector industry is business services, which contains 22 per cent of all British Columbia small businesses, followed by trade with 13 per cent. Business services are concentrated more in businesses without paid employees, while trade is more prevalent in businesses with employees. Construction is the most significant industry in the goods sector, accounting for 12 per cent of all small businesses.

Figure 6a: Small businesses with 1-49 employees

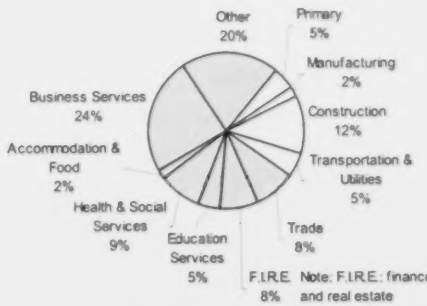
(Total 150,300)



SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

Figure 6b: Small businesses with no paid help

(Total 197,600)



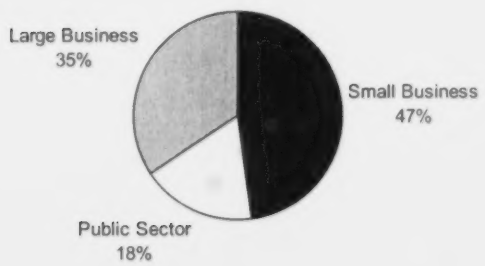
SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

2. Small Business Employment

How many jobs does small business provide in British Columbia?

Small business was the source of 952,900 jobs in British Columbia in 2002, which represents 47 per cent of total employment in the province. This share is unchanged from 2001.

Figure 7: Almost half of all jobs in British Columbia were in small business, 2002



SOURCE: STATISTICS CANADA, BC STATS / PREPARED BY BC STATS

Total private sector (both small and large business) employment in British Columbia in 2002 was 1,642,700. Small business was responsible for 952,900 (58 per cent) of these jobs. This percentage is essentially unchanged from 2001. People who were self-employed comprised 23 per cent of private sector employment in 2002. Within private sector businesses with paid employees, 54 per cent were in large businesses and the remaining 46 per cent were in small businesses.

Figure 8: Private sector employment in British Columbia by size of business, 2002

	Employment	Percent of Total
Total small business employment	**952,900**	**58%**
Self-employed	374,900	23%
Employed by small business	578,000	35%
Large business employment	**689,800**	**42%**
Total private sector employment	**1,642,700**	**100%**

SOURCE: STATISTICS CANADA, BC STATS / PREPARED BY BC STATS

How many jobs has small business created?

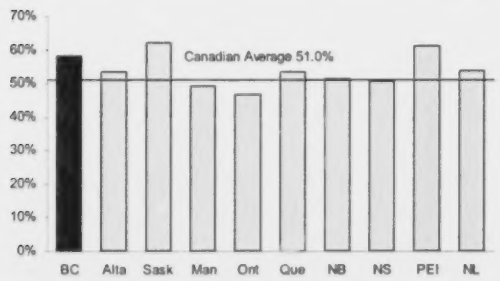
Between 1997 and 2002, small businesses created approximately 44,600 net new jobs in British Columbia, which is about 29 per cent of the total employment increase in the province. Most of these jobs (70 per cent) were in businesses with employees as the number of self-employed individuals declined in three of the five years and netted only 13,500 new jobs over the period. If it were not for strong growth (+4.0 per cent) between 2001 and 2002 that saw the number of self-employed increase by 14,500, there would have been a net decline in self-employed between 1997 and 2002. Meanwhile, small businesses with employees experienced net increases in each year in the period, including a 1.4 per cent jump in 2002.

How does British Columbia's small business employment compare to other provinces?

Across Canada, British Columbia has the third highest proportion of private sector employment deriving from small business. Small business provided 58 per cent of private sector employment in British Columbia in

2002, compared to a national average of only 51 per cent. Saskatchewan (62 per cent) and Prince Edward Island (61 per cent) were the only provinces with a greater reliance on small business employment. At 47 per cent, Ontario had the least dependence on small business for private sector employment. The provincial variation may be related to the different economic structures. For example, Saskatchewan and Prince Edward Island have significant agricultural sectors and these farming operations are often small businesses with fewer than 50 employees.

Figure 9: British Columbia ranks third in small business as a percent of private sector employment, 2002



SOURCE: STATISTICS CANADA, BC STATS / PREPARED BY BC STATS

Overall, small businesses in British Columbia increased employment by 2.4 per cent between 2001 and 2002. This put British Columbia in the middle of the pack, ranking it fifth in the country, but still better than the national average of 1.9 per cent. Newfoundland and Labrador (+5.2 per cent) and Nova Scotia (+4.9 per cent) experienced the strongest growth in small business employment in the country.

SELF-EMPLOYMENT

What constitutes self-employment?

People who spend most of their working hours operating their own businesses are classified as "self-employed." The self-employed can be categorised as either incorporated or unincorporated and within each of these categories can be further classified as operating with paid help or without paid help (i.e., working by themselves). This produces four major categories of self-employed workers.

How many self-employed people are there in British Columbia?

In 2002, there were 374,900 self-employed people in British Columbia. Of these, approximately 2,900 worked in family businesses without pay, leaving 372,100 self-employed business owners.[1] This is an increase of 15,800 over 2001, which translates to a jump of 4.4 per cent. Almost two-thirds (66 per cent) of self-employed businesses were unincorporated. The largest category of self-employed was unincorporated without paid help, representing the majority (53 per cent) of self-employed small businesses.

Figure 10: Number of self-employed business owners in British Columbia, 2002

	With paid help	Without paid help	Total	Percent
Incorporated	76,400	51,300	127,700	34%
Unincorporated	46,800	197,600	244,400	66%
Total self-employment	**123,200**	**248,900**	**372,100**	**100%**

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

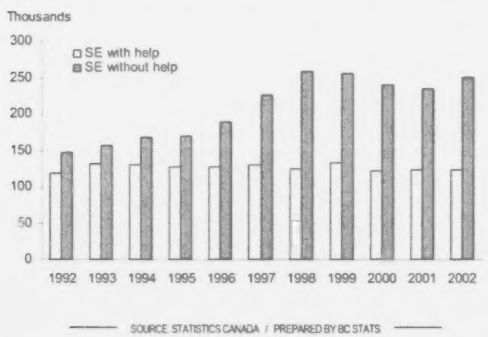
[1] Note: The figures do not add due to rounding.

Which categories of self-employed have been growing the fastest?

At the beginning of the '90s, the number of self-employed without paid help in British Columbia was only slightly higher than those employing paid workers. However, while self-employed businesses with paid employees have experienced very little growth in the last decade, the number of self-employed businesses without paid help has increased substantially, particularly in the mid-'90s, such that in 2002 there were more than twice as many self-employed without paid help than those with paid employees.

Between 2001 and 2002, growth in the number of self-employed with paid help was relatively flat, with only 200 new businesses (+0.2 per cent). Meanwhile, self-employed individuals without paid help increased 6.7 per cent, or 15,600 persons.

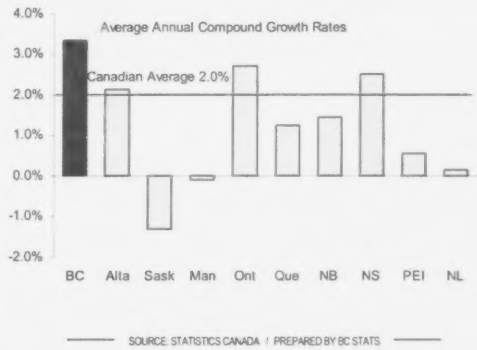
Figure 11: Self-employed without paid help have grown the fastest, 1992-2002



How does self-employment growth in British Columbia compare with other provinces?

British Columbia has led the country in self-employment growth over the last decade, with an average annual compound rate of growth of 3.3 per cent from 1992 to 2002. Ontario (+2.7 per cent), Nova Scotia (+2.5 per cent) and Alberta (+2.1 per cent) were the only other provinces to exceed the national rate of 2.0 per cent.

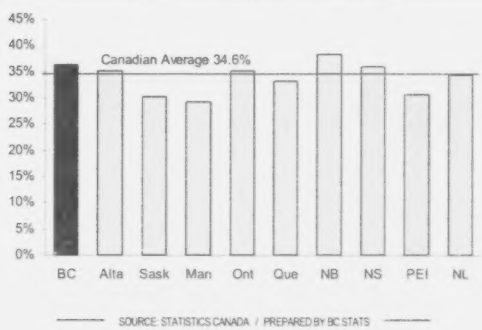
Figure 12: BC leads self-employment growth, 1992-2002



What proportion of self-employed entrepreneurs are women?

Across Canada, British Columbia is second only to New Brunswick (38 per cent) in terms of the proportion of small business owners that are women. Over 36 per cent of small businesses in British Columbia are owned and operated by women, compared to a Canadian average of less than 35 per cent. At 29 per cent, Manitoba has the lowest share of women owning small businesses.

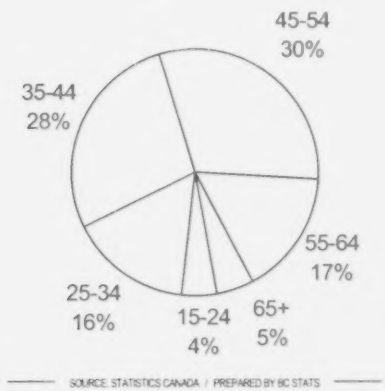
Figure 13: Proportion of small businesses owned by women, 2002



What is the age structure of self-employed entrepreneurs?

While the majority of small business owners are between the ages of 35 and 55, there are significant proportions of both younger and older small business owners. About one-fifth (20 per cent) of all entrepreneurs are under 35, with four per cent of small business owners between the ages of 15 to 24, and a further 16 per cent in the 25 to 34 year age category. Workers 55 and over account for about 22 per cent of all entrepreneurs with most of these under 65 years of age. However, five per cent of all self-employed are more than 65 years old.

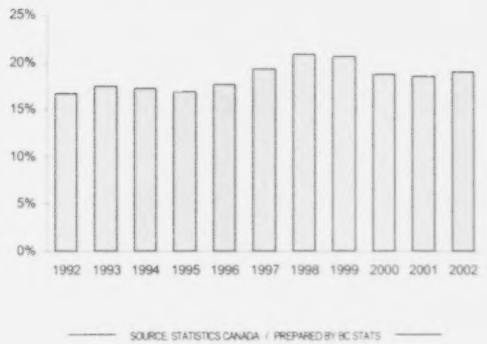
Figure 14: Self-employed by age, 2002



What proportion of total employment is comprised of the self-employed?

In 2002, self-employment accounted for 19 per cent of total employment in British Columbia. This is still down from the peak of just under 21 per cent in 1998, but is slightly higher than a year earlier, which marks the first time in three years the proportion of self-employed has increased.

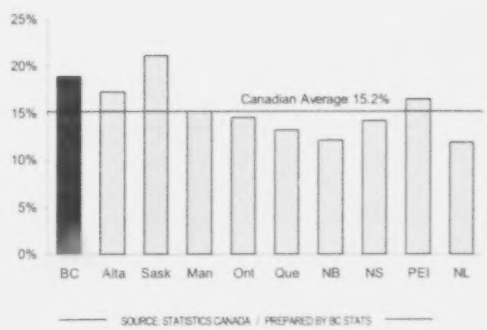
Figure 15: British Columbia's self-employment as a percent of total employment, 1992-2002



How does British Columbia compare to other provinces?

British Columbia has the second highest proportion of self-employed workers in Canada, exceeding the national average by 3.8 percentage points. Saskatchewan, with its reliance on family farming, ranked first with 21 per cent of all workers being self-employed. The only other provinces exceeding the Canadian average of 15 per cent were Alberta and Prince Edward Island.

Figure 16: Self-employment as a percent of total employment by province, 2002

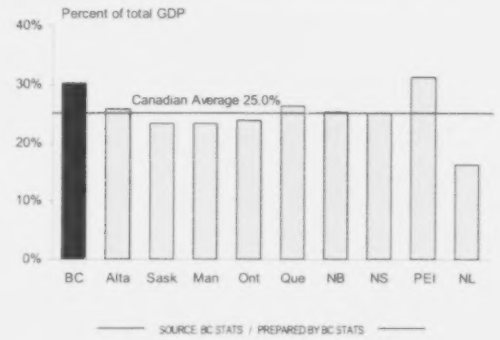


3. Contribution to the Economy

Small business contributes to the provincial economy in several ways: by creating and maintaining jobs, through production of goods and services, and by meeting payrolls that support families and stimulate further economic activity.

The key measure of economic production of a sector is referred to as its Gross Domestic Product (GDP). GDP represents the value that a sector adds to the raw inputs it uses, which is an important aspect of the sector's contribution to the economy.

Figure 17: British Columbia has the second highest proportion of GDP comprised of small business in Canada, 2002



How large is the contribution of small business to British Columbia's economy relative to other provinces?

In 2002, British Columbia's small businesses accounted for 30 per cent of GDP. The only province with a higher proportion of GDP attributed to small business was Prince Edward Island, at 31 per cent, while the province where small business contributed the least was Newfoundland and Labrador, at 16 per cent. The significant contribution in British Columbia, well above the national average of 25 per cent, underlines how important small businesses are to the province's economy.

How does average pay compare between small and large businesses?

Employees in small businesses are generally paid less, on average, than those in larger businesses. The employee earnings gap between large and small businesses has not changed much over the last five years, with the disparity amounting to approximately $8,000 annually.

In 2002, the average small business employee earned $30,155 compared to $38,077 for the average large business employee, a difference of $7,922 or 26 per cent. In 1997, the gap was only $7,801, but in percentage terms, the difference was higher (29 per cent).

Growth in average annual small business earnings has outpaced that of large businesses over the last five years. Small business employees in British Columbia earned 11 per cent more in 2002 than they did in 1997, while employees in large businesses gained only nine per cent over the same period.

Figure 18: Changes in average annual earnings, 1997-2002

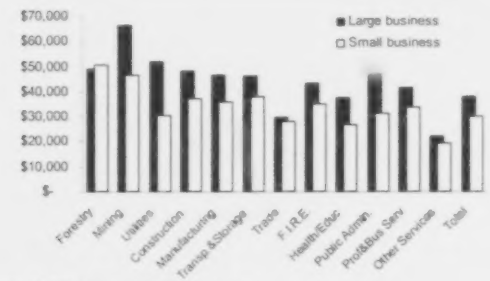
	Small Business	Large Business
Earnings 1997 (payroll/employee)	$ 27,229	$ 35,030
Earnings 2002 (payroll/employee)	$ 30,156	$ 38,077
Percent Change	**11%**	**9%**

SOURCE: STATISTICS CANADA, BC STATS / PREPARED BY BC STATS

How does average pay compare across industries for small versus large businesses?

In general, small business wages lag behind those of businesses with 50 or more employees in all major industry groupings. The one exception, over the last couple of years, has been the forestry and logging sector,[2] where wages in small businesses have exceeded those in large businesses. It is difficult to say why this is so. Perhaps the rash of layoffs in the sector over the last couple of years has somehow affected higher paid workers in large businesses disproportionately more than those in small businesses.

Figure 19: Average annual earnings by industry, 2002



Note: F.I.R.E. Finance, insurance, and real estate

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

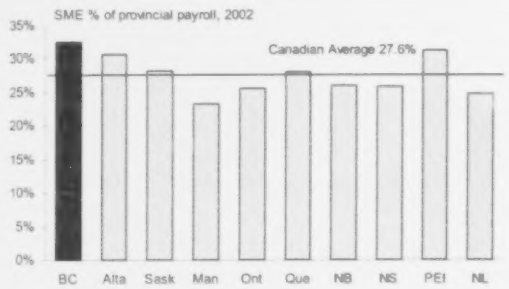
[2] This sector is comprised mainly of logging and excludes milling operations, which are included in the manufacturing sector.

With a difference of almost $21,700, the utilities sector had the largest average annual earnings gap between small and large business in 2002 in British Columbia, followed by the mining, oil and gas industry at about $19,500. The smallest differences were in logging and forestry, and retail and wholesale trade industries at around $1,550 (although the difference was in favour of small business workers for logging and forestry and in favour of large business workers for trade). The lowest wages, on average, are paid to those employed in the accommodation and food sector.

How does British Columbia compare in terms of the portion of total payroll generated by small business?

British Columbia leads the country with the highest percentage of provincial payroll derived from small business. Small business accounted for just over 32 per cent of wages paid to workers in British Columbia in 2002. This is almost five percentage points higher than the Canadian average. Manitoba was the province with the smallest percentage of payroll derived from small business, at 23 per cent.

Figure 20: British Columbia small business represents 32% of the 2002 provincial payroll



SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

4. Growth Industries

EXPLANATION:

The following information contains comparisons of standard industries, such as business services and retail, and specially defined industries like tourism, high technology and secondary manufacturing. Information is not available concerning "self-employed persons without paid help" within these special industries. Consequently, some figures in this section may differ from other parts of this document.

Although the economy of British Columbia is still fairly dependent on resource extraction-based industries, emerging sectors like tourism, high technology and value-added (secondary) manufacturing also play a significant role. These industries are often touted as the most likely sources of growth for the future economy of the province. Since they are less reliant on capital-intensive resource extraction, they are a good fit for development by small business.

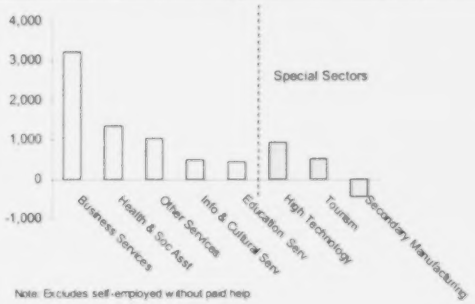
For example, in the high technology sector 95 per cent of employers are small businesses. Innovation drives growth in this sector and these services often can be performed efficiently from homes, small offices and small plants by a small number of employees.

NUMBER OF SMALL BUSINESSES

Which industries show the greatest increase in the number of small businesses?

The business services sector recorded by far the largest small business growth between 1997 and 2002. There was a net addition of over 3,200 establishments to the sector during that period, an average of about 640 annually. The health care and social assistance sector ranked second in small business growth with a net gain of over 1,300 establishments over the five-year period.

Figure 21: Number of new small businesses—fastest growing sectors in British Columbia, 1997-2002



SPECIAL SECTORS

EXPLANATION:

This section contains information on industries that are not defined by the North American Industry Classification System (NAICS) used by Statistics Canada. The tourism, high technology and secondary manufacturing sectors are called "Special Sectors" in this section and are in fact composites of smaller parts of traditionally defined industries under NAICS. Tourism, for example, includes data from parts of the transportation industry, accommodation and food services, and information, culture and recreation services, among others. High technology includes both manufacturing and services components.

Only two of the three special sectors had an increase in the number of small businesses between 1997 and 2002. High technology led the way with a net addition of over 900 small businesses. Expansion of high technology services was responsible for the majority of the gains in this sector, as the number of high

technology manufacturing establishments increased only marginally.

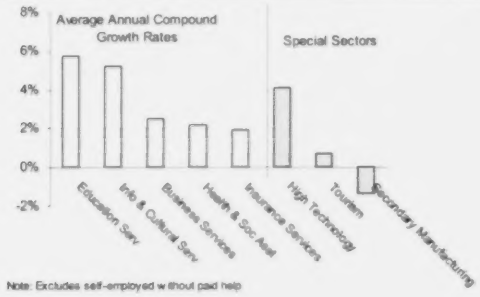
The number of small businesses in tourism also climbed over the five-year period, making a net gain of over 500 new businesses. Secondary manufacturing, on the other hand, experienced a net decline of about 450 businesses.

Which industries show the fastest rates of growth in new businesses?

At 5.7 per cent, education services experienced the most rapid annual average compound growth in the number of new small businesses of any of the standard sectors.

In the specially defined sectors, high technology continued to set the pace with a robust 4.1 per cent average compound rate of growth. Growth in tourism was well behind high technology, at only 0.7 per cent and secondary manufacturing dropped 1.3 per cent.

Figure 22: Sector growth rates for number of small businesses, 1997-2002



Note: Excludes self-employed without paid help

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

SMALL BUSINESS EMPLOYMENT

Data on employment by industry are not readily available; however, Statistics Canada's *Business Register* does have industry detail by employee-size class. As such, the analysis in this section is based on the change in the number of firms within each employee-size class, rather than direct employment figures.

Which industries are experiencing the most job growth?

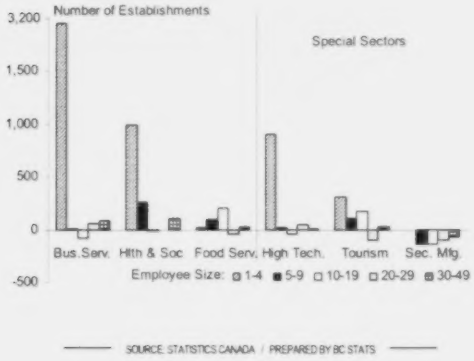
The business services sector was by far the largest provider of new small business jobs over the 1997 to 2002 period. While there was a net drop in business service sector businesses with between 10 and 19 employees, the robust growth in businesses with between 20 and 49 employees more than made up for it and the phenomenal growth in businesses with less than 10 employees was unparalleled within any other sector.

Figure 23: Growth in business services sector establishments by employee size, 1997-2002

Employee size	Net change
1-4	+3,148
5-9	+10
10-19	-78
20-29	+58
30-49	+80

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

Figure 24: Small business employment—fastest growing sectors in British Columbia, 1997-2002



SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

Within the special sectors, there was a decline in small business employment in secondary manufacturing between 1997 and 2002, as the number of establishments fell in every employee size category. The overall drop ranged from about 6,200 to 10,200 workers.

For high technology, there was substantial growth in the number of micro-businesses, with 900 new establishments employing between one and four people. The vast majority of these (92 per cent) were in the service sector. In high technology manufacturing, there was a drop in every other size category, indicating that there was likely an overall decline in employment. However, the growth in high tech service jobs was enough to mitigate the losses in the manufacturing sector. Overall, the high technology sector was a significant engine for job growth in British Columbia over the five-year period.

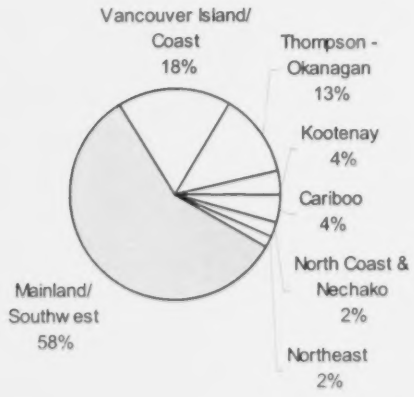
Although there was a significant drop in tourism businesses employing between 20 to 29 employees, strong growth in all other employee size categories indicates that there was most likely significant small business employment growth within the tourism sector as a whole.

5. Regional Focus

Which regions have the greatest number of small businesses?

In 2002, approximately 58 per cent of small businesses in British Columbia were located in the Mainland/Southwest region. This is slightly less than its 59 per cent share of total provincial population. Vancouver Island/Coast, with just over 17 per cent of British Columbia's population, ranked second with 18 per cent of small businesses. The Thompson-Okanagan region, which contains about 12 per cent of the province's population, is home to almost 13 per cent of British Columbia's small businesses. The remaining regions combined, which have about 12 per cent of the provincial population, also accounted for 12 per cent of the province's small businesses.

Figure 25: Mainland/Southwest accounted for over half of all small businesses in BC, 2002



SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

In which regions are the greatest numbers of small businesses forming?

Over the last five years, only three regions of the province recorded growth in the number of small businesses. The fastest growth in small businesses between 1997 and 2002 was recorded in the Mainland/Southwest region, which expanded its number of small businesses at an average annual compound rate of 1.9 per cent per year compared to only 0.8 per cent for the province as a whole. This amounts to a net increase of over 18,200 businesses over the period, or an average of 3,600 per year. Vancouver Island/Coast and Kootenay were the only other regions to experience growth in the number of small businesses over the period, with net increases of 1,300 and 600 respectively. The Cariboo region experienced the greatest decline in number of small businesses, losing almost 3,000 businesses over the period, translating to an average annual compound rate of -3.9 per cent.

Figure 26: Number of small businesses by region, 1997-2002

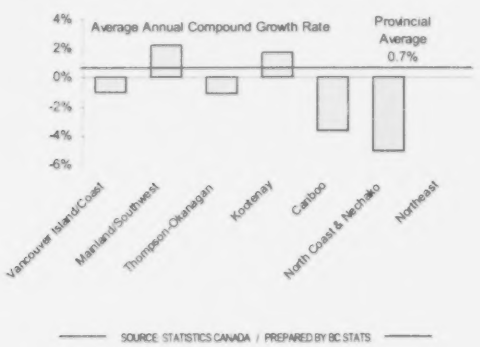
	Average Annual Growth (#s)	Annual Compound Growth Rate
Vancouver Island / Coast	300	0.4%
Mainland / Southwest	3,600	1.9%
Thompson - Okanagan	-300	-0.7%
Kootenay	100	1.0%
Cariboo	-600	-3.9%
North Coast & Nechako	-200	-2.7%
Northeast	-100	-2.0%
Provincial Total	**2,800**	**0.8%**

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

In what regions is self-employment growing the fastest?

The Mainland/Southwest region also led the province in growth of self-employment over the 1997 to 2002 period, increasing at an average annual compound rate of 2.3 per cent. This compares to an average annual growth rate of 0.7 per cent for the province as a whole. The only other region to record a positive rate of growth in the number of self-employed was Kootenay, with a rate of 1.7 per cent. Self-employment in the Northeast was virtually unchanged over the five-year period, while all other regions posted declines.

Figure 27: Self-employed business growth rate for regions in British Columbia, 1997-2002



SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

In what regions are the "special sectors" growing the fastest?

Of the three special sectors, only high technology experienced growth in all regions of the province between 1997 and 2002.

There was reasonably strong growth in the number of small business establishments in tourism in Mainland/Southwest, but for all other regions, there was either no change or a reduction in the number of tourism-related small businesses.

Most regions in the province saw a decline in the number of secondary manufacturing establishments employing fewer than 50 employees. Kootenay was the only area to experience an increase, edging up 0.2 per cent, while the number of secondary manufacturing small businesses in the Northeast region remained unchanged between 1997 and 2002.

Figure 28: High technology leads special sector establishment growth throughout BC, 1997-2002

DEVELOPMENT REGION	Tourism		High Technology		Secondary Manufacturing	
	Average Annual Growth (#s)	Average Annual Compound Rate	Average Annual Growth (#s)	Average Annual Compound Rate	Average Annual Growth (#s)	Average Annual Compound Rate
Vancouver Island / Coast	0	0.0%	38	5.1%	-6	-0.7%
Mainland / Southwest	108	1.3%	131	4.3%	-76	-1.7%
Thompson – Okanagan	-1	0.0%	6	1.6%	-6	-0.7%
Kootenay	-3	-0.4%	4	4.1%	0	0.2%
Cariboo	-1	-0.2%	2	1.2%	-3	-1.6%
North Coast & Nechako	-2	-0.4%	0	0.7%	-1	-1.4%
Northeast	-1	-0.4%	2	5.4%	0	0.0%

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

6. Small Business Exporters

Export data for businesses by employee size is available for 2001 only. Data on exports of services is not available by business size.

How is a small business exporter defined?

An export can be a good shipped either to another country, or sometimes to another region within a country, such as another province. This report will consider only international exports, so that an exporter is defined as a business that ships merchandise to international destinations. A small business exporter is then a business with fewer than 50 employees that exports goods out of the country.

Note that data for British Columbia exclusively is not readily available. The data reported here includes exporters in the Territories (Yukon, Northwest Territories and Nunavut). Statistics Canada has grouped the Territories into a region with British Columbia to meet confidentiality requirements. However, based on years where data for the Territories was not suppressed, the inclusion of exporters from the Territories should not significantly influence the numbers. For example, in 1995, the exporting establishments from the Territories represented less than half of a percent of the regional total. For value of exports, the numbers were even less significant, coming in at about 0.1 per cent of the regional total.

How many British Columbia small businesses export?

In 2001, there were 6,179 businesses in British Columbia that exported goods internationally. Of these, 4,911, or 79 per cent, were small businesses, which is about 1.5 per cent of all small businesses in the province. In other words, 98.5 per cent of small businesses in British Columbia are *not* exporters.

Figure 29: Number of British Columbia* exporters, employees and value of exports, 2001

	Number of Establishments	Number of Employees	Value of Exports ($millions)
Small business exporters	4,911	67,867	$10,401.2
Large business exporters	1,268	277,340	$21,219.6
Total all exporters	6,179	345,207	$31,620.8

*Includes data for the Territories

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

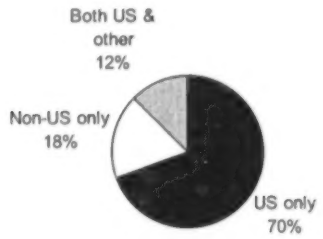
Small business exporters in British Columbia employed just under 68,000 people, which amounts to approximately seven per cent of total British Columbia small business employment in 2001. The total value of exports shipped by these small businesses amounted to $10.4 billion, which is approximately one-third of total exports.

What is the destination of goods shipped by British Columbia small business exporters?

In 2001, approximately 70 per cent of British Columbia small business exporters shipped exclusively to the United States. Since small businesses are less likely to be able to afford high transportation costs, this makes sense. Those businesses that did export to other destinations tended to ship greater volumes, which likely helped defray these costs. Small

businesses that shipped only to destinations outside the United States were responsible for 34 per cent of all small business exports despite comprising only 18 per cent of small business exporters.

Figure 30: Most BC* small business exporters shipped exclusively to the United States in 2001



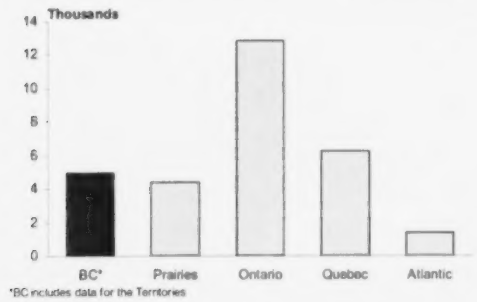
*Includes data for the Territories

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

How do British Columbia small business exporters compare to those in other regions in the country?

British Columbia had more small businesses that exported than all the Prairie provinces combined in 2001. Part of the reason for this is that many small farms in the Prairies have their exports handled by large co-operatives like the Canadian Wheat Board. Ontario led the way with twice as many small business exporters as second ranked Quebec.

Figure 31: Number of small business exporters by region, 2001

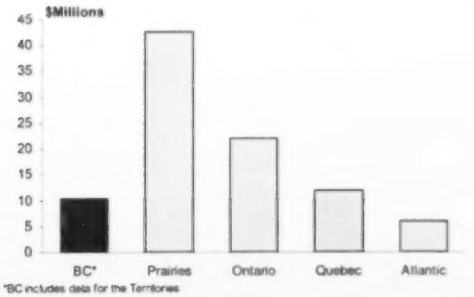


*BC includes data for the Territories

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

Despite having more small business exporters than the Prairies, the value of shipments by British Columbia small business exporters paled in comparison to exports from the Prairie provinces. In fact, small businesses in the Prairies exported almost twice the value of goods than those in Ontario, which exported twice as much again as small business exporters in British Columbia. The large majority of the exports from the Prairies (91 per cent) were non-manufactured goods, which may be an indication that they were mainly agricultural products.

Figure 32: Value of small business exports by region, 2001



*BC includes data for the Territories

SOURCE: STATISTICS CANADA / PREPARED BY BC STATS

TIME TRENDS

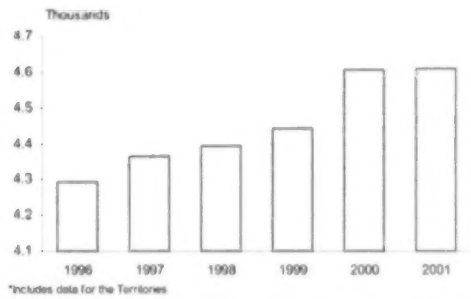
Data by employee size is available only for 2001, but data by size of exports is available for earlier years. In the following time trend analysis, small exporters are defined as those that have exported less than $1 million worth of goods during the year. Medium and large exporters are those whose annual merchandise shipments were worth $1 million or more.

Is the number of small exporters in British Columbia growing?

After experiencing significant growth in 2000, the number of small exporters edged up only

slightly in 2001. Over the 1996 to 2001 period, the number of small exporters in British Columbia increased by an average annual compound rate of 1.4 per cent.

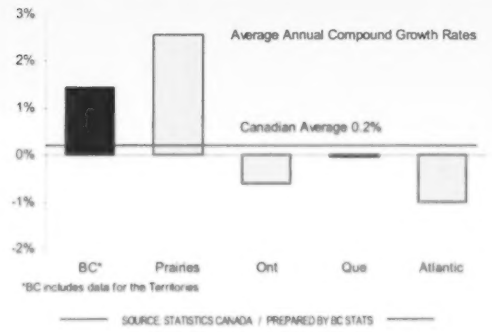
Figure 33: Number of Small Exporters in BC*, 1996-2001



How does the growth in the number of small exporters in British Columbia compare with other regions?

Between 1996 and 2001, Western Canada was the only region in which the number of small exporters increased. All regions east of the Prairies experienced a net decline in small exporters. The Prairies outpaced British Columbia with an average annual growth of 2.6 per cent. The reason for the declines in the rest of the country may be because many small exporters became medium or large exporters. In fact, the number of medium and large exporters saw robust growth across the country, with a Canadian average of 5.2 per cent, compared to only 0.2 per cent for small exporters.

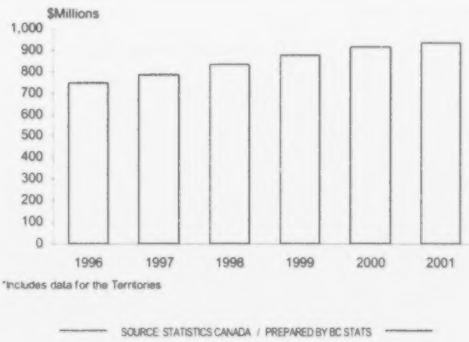
Figure 34: The number of small exporters increased only in Western Canada, 1996-2001



What is the value of exports for small exporters in British Columbia?

Small exporters in British Columbia shipped $932 million worth of goods to international destinations in 2001. Despite the fact that these small exporters comprise about three-quarters of all exporters in the province, the value exported by these firms represents only three per cent of the value of total exports from British Columbia.

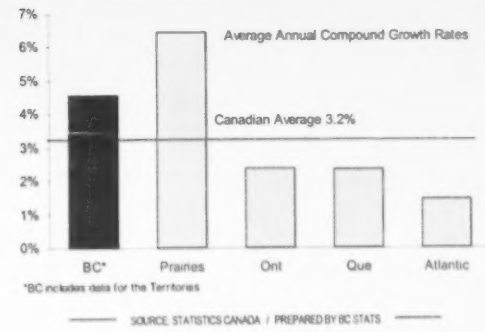
Figure 35: Value of BC* shipments by small exporters, 1996-2001



How does the growth in the value of exports in British Columbia compare with other regions?

British Columbia was second only to the Prairie provinces in terms of growth in the value of small exporter shipments between 1996 and 2001. The value of shipments by small exporters in British Columbia increased at an average annual compound rate of 4.6 per cent in that period, compared to 3.2 per cent for Canada as a whole. Small exporter shipments from the Prairies grew at 6.4 per cent. All other regions were below the national average.

Figure 36: BC has the second strongest growth in value of small business exports, 1996-2001



Technical Notes

All statistics presented in this document are based on the best data currently available. A comprehensive listing of all businesses operating in British Columbia or elsewhere does not exist; therefore, business counts must be estimated to some extent. BC STATS has combined data from several sources to produce estimates of the total number of large and small businesses operating in British Columbia and other provinces, as well as the employment and payrolls generated by these businesses.

The results may differ from estimates produced in other studies using different data and different methodologies. Differences will potentially be more in terms of absolute numbers, rather than direction of trends or the relative standing of British Columbia compared to other provinces. This edition of the Small Business Profile incorporates statistical revisions, such that year-over-year comparisons should not be made using last year's edition.

Data Sources:

Estimates of the number of businesses have been produced using data from Statistics Canada's Business Register and Labour Force Survey.

Estimates of employment and payrolls have been produced using Statistics Canada's Survey of Employment, Payroll and Hours, Employment Dynamics and Labour Force Survey.

All self-employment numbers have been obtained directly from the Labour Force Survey.

Data describing small business exporters is derived from the Exporter Registry.

Special Sector Definitions: [3]

Tourism includes industries such as transportation, accommodation, food services, and other tourism-related activities.

High technology industries may employ a high proportion of scientists and researchers or invest a high proportion of revenues in research and development. Other industries that produce high technology products are also included.

Secondary manufacturing industries are those that produce goods from the products of other manufacturers. For example, a sawmill is a manufacturing operation, but not a secondary manufacturer, because its logs do not come from another manufacturer. A factory producing wooden doors with lumber obtained from sawmills, on the other hand, is a secondary manufacturer.

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Kandice Johnson,
Western Economic Diversification Canada

[3] Further information on the tourism sector is available at:
http://www.bcstats.gov.bc.ca/pubs/pr_tour.htm.
Further information on the high technology sector is available at:
http://www.bcstats.gov.bc.ca/data/bus_stat/ht_tech.htm

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